

Message Text

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ACTION FSE-00

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E.O. 11652: N/A
TAGS: EFIN, GH
SUBJ: GOG DEVALUES CEDI AND ESTABLISHES FLEXIBLE EXCHANGE RATE

1. BANK OF GHANA HAS ANNOUNCED ADOPTION OF A "FLEXIBLE EXCHANGE RATE SYSTEM" "EFFECTIVE FROM JUNE 19, 1978, IN WHICH EXCHANGE RATE FOR GHANAIAI CEDI AGAINST THE DOLLAR, "THE INTERVENTION CURRENCY, WILL BE CHANGED PERIODICALLY TO REFLECT THE UNDERLYING ECONOMIC, FINANCIAL AND BALANCE OF PAYMENTS SITUATION." BANK OF GHANA, ACCORDING TO BRIEF ANNOUNCEMENT, WILL "QUOTE DAILY THE EXCHANGE RATE FOR THE GHANAIAI CEDI AGAINST THE DOLLAR AND THOSE OF THE MAJOR CURRENCIES FOR THE OPERATIONS OF ALL AUTHORIZED DEALERS."

2. ON JUNE 20 BANK OF GHANA ANNOUNCED EXCHANGE RATE OF CEDIS 1.30 TO ONE US DOLLAR. ALSO LISTED FOLLOWING CEDI EQUIVALENTS:

AUSTRALIAN DOLLAR, 1.47 CEDIS

CANADIAN DOLLAR, 1.16 CEDIS

NEW ZEALAND DOLLAR, 1.32 CEDIS

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NIGERIAN NAIRA, 2.09 CEDIS

UK POUND STERLING, 2.37 CEDIS

3. COMMENT: ON ITS OWN, THIRTEEN PERCENT DEVALUATION ANNOUNCED TODAY DOES NOT BEGIN TO MEET WHAT IS CONSIDERED NECESSARY BY ECONOMIC OBSERVERS. NEVERTHELESS

ADOPTION OF FLEXIBLE EXCHANGE RATE SYSTEM OPENS THE
DOOR TO GRADUAL MOVEMENT TOWARD MORE REALISTIC
VALUATION OF THE CEDI. NEW MOVE WOULD APPEAR
TO BE FIRST TANGIBLE OUTCOME OF RECENT GOG ECONOMIC
TASK FORCE RECOMMENDATIONS (ACCRA 4086 AND PREVIOUS).
HOLMES

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Message Attributes

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